



RESOLUTION

URGING THE CITY ADMINISTRATION AND THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION TO UTILIZE PUBLIC PRIVATE PARTNERSHIPS TO FUND IMPROVEMENTS, INCLUDING TRANSIT STATIONS, RELATED TO THE HONOLULU HIGH-CAPACITY TRANSIT CORRIDOR PROJECT AND TO CREATE ECONOMIC DEVELOPMENT OPPORTUNITIES ALONG THE TRANSIT ROUTE.

WHEREAS, the anticipated cost for the Honolulu High-Capacity Transit Corridor Project ("Rail Project"), the largest capital improvement project in the history of the City and County of Honolulu, has increased from \$5.163 billion in June of 2012 to \$9.5 billion on December 1, 2016; and

WHEREAS, on September 5, 2017, the Governor signed Act 001, Special Session of 2017, which will provide an estimated \$2.4 billion in additional funding for the Rail Project through an extension of the one-half percent Honolulu general excise and use tax surcharge, a one percent increase in the transient accommodations tax, and a reduction in the percentage of the general excise and use tax surcharge retained by the State before transmittal to the City; and

WHEREAS, even with the \$2.4 billion in additional funding, the City Administration estimates that the Rail Project will face an estimated \$578 million shortfall in project contingency funding; and

WHEREAS, on September 15, 2015 the Honolulu Authority for Rapid Transportation ("HART") submitted the Recovery Plan for the Rail Project ("Recovery Plan") to the Federal Transportation Administration; and

WHEREAS, in the Recovery Plan, HART estimates that \$160 million in City funding will be needed for the Rail Project; and

WHEREAS, the City Administration has stated that without viable alternatives, real property taxes would need to be increased substantially to fund any shortfall in funding for the completion of the Minimum Operable Segment ("MOS") of the Rail Project; and

WHEREAS, given the Council's opposition to and the undesirability of increasing real property taxes, it is incumbent on the City Administration and HART to investigate any and all other available funding alternatives, including public private partnerships; and



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WHEREAS, meaningful private sector participation in the Rail Project has been noticeably absent in discussions of the means to address funding shortfalls, and public private partnerships, in all its forms and options, must be considered and should include, but not be limited to, the following funding possibilities:

- Community Facilities Districts ("CFDs"), which are an alternative financing method typically used for new developments with substantial infrastructure requirements. The basic concept of a CFD involves the issuance of bonds by the City to fund the cost of improvements for a defined district (for example, a transit station area) and the levy of a special tax on properties within the district to pay the debt service on the bonds. Hawaii county and Kauai county have successfully established community facilities districts, and significantly, the City and County of San Francisco has established Community Facilities District No. 2014-1 in conjunction with the design and development of the Transbay Transit Center and Downtown Rail Extension infrastructure projects;
- Design-Build-Finance ("DBF") contract provisions, which bundle contractor services and could be incorporated into any outstanding Rail Project construction contracts, would bring upfront investor financing into the equation and delay government payments until the project is complete. According to a report commissioned by the Ulupono Initiative, a properly structured contract could maximize benefits to taxpayers by accelerating project delivery, while also eliminating costly delays due to funding shortfalls and provide better budget predictability. The report notes that by using DBF provisions, the Rail Project could save as much as \$570 million in project costs on upcoming rail work that would be incurred without a DBF contract;
- Interim Planned Development-Transit ("IPD-T") projects offer developers opportunities to increase development potential, provided that equitable contributions (which may include funding) that benefit the general public, the transit system, and transit-oriented development ("TOD") are demonstrated. IPD-Ts (or PD-Ts once TOD neighborhood plans and amendments to existing ordinances relating to future TOD zones are adopted) provide flexibility to planned development projects in TOD areas for project uses, density, height and height setbacks, yards, open space, landscaping, streetscape improvements, parking and lodging, and signage, if the project proposes to provide public amenities commensurate with the requested flexibility that will produce timely, demonstrable benefits to the community, support transit ridership, and implement the vision established in ROH Section 21-9.100-4; and



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- Sponsorship or naming rights agreements, which are possible through a process to obtain sponsorships for City facilities, parks, programs, equipment, and tangible property within set guidelines and procedures for the purpose of optimizing non-property tax revenue sources (Ordinance 17-16) and through guidelines and procedures to be used in the naming of City parks, sites and facilities, and in the use of statues, busts or other memorials (ROH Chapter 22, Article 9). Examples of sponsorship and naming rights agreements on Oahu (at the state level) include the naming and sponsorship of the turf and other facilities at Aloha Stadium, as well as the naming of athletic facilities on the campus of the University of Hawaii at Manoa; and

WHEREAS, public private partnerships, specifically planned developments in TOD zones, will create economic development opportunities along the rail transit route; and

WHEREAS, the Council finds that the Rail Project's anticipated \$578 million shortfall in project contingency funding and the \$160 million in City funding projected by the Recovery Plan must be addressed and that, because no single source of funding will likely be sufficient to ensure the Rail Project's completion, every possible source of funding should be carefully considered; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that it urges the City Administration and the Honolulu Authority for Rapid Transportation to utilize public private partnerships to: 1) fund improvements, including transit stations, related to the Honolulu High-Capacity Transit Corridor Project; and 2) create economic development opportunities along the transit route; and

BE IT FURTHER RESOLVED that the City Administration and HART are requested to report to the Council on their findings and actions regarding possible public private sector partnerships within 45 days of this resolution's approval; and



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

No. 17-263

RESOLUTION

BE IT FINALLY RESOLVED that copies of this resolution be transmitted to the Mayor, the Managing Director, the Director of Budget and Fiscal Services and the Executive Director and Chief Executive Officer of the Honolulu Authority for Rapid Transportation.

INTRODUCED BY:

DATE OF INTRODUCTION:

SEP 22 2017

Honolulu, Hawaii

Councilmembers